UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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MEDISIM,

Plaintiff,

v. 10 Civ. 2463 (SAS)

BESTMED,

Defendant.

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January 29, 2013
10:10 a.m.

Before:

HON. SHIRA A. SCHEINDLIN,

District Judge

APPEARANCES

MCCARTER & ENGLISH
Attorneys for Plaintiff
BY: SCOTT CHRISTIE
MARK ANANIA
MATTHEW SKLAR
KEITH MCWHA

OLSON & CEPURITIS
Attorneys for Defendant
BY: JOSEPH KUO
TALIVALDIS CEPURITIS
BRIAN MICHALEK

(Case called)

THE COURT: Do you want the jury selection on the record? Typically we don't but sometimes lawyers want it. We need to know so that the court reporter knows whether to stay or to leave.

MR. CHRISTIE: I think we are good without it, Judge.

THE COURT: Okay.

(Jury voir dire conducted off the record)

THE COURT: Mr. Christie, is the jury satisfactory?

MR. CHRISTIE: It is satisfactory to the plaintiff, yes.

THE COURT: Mr. Kuo, is the jury satisfactory?

MR. KUO: Yes.

THE COURT: Good. Then I'm going to now swear the jury.

(A jury of eight was impaneled and sworn)

THE COURT: Ladies and gentlemen, what I'm going to do now is give you preliminary instructions. They're a little longer than usual because this is a patent case so it is a little complicated. My preliminary instructions actually include a little bit of a video to give you some background in this area. After I finish the preliminary instructions we are going to take our luncheon recess. When you come back from lunch we'll have the opening statements. Okay? Everybody can hear me?

THE JURY: Yes.

THE COURT: Okay, good.

So now that you have been sworn I want to tell you something about your duties as jurors and give you these preliminary instructions. At the end of the trial I will give you more detailed instructions and it is those instructions that will control your deliberations. At the end of the presentation of all of the evidence and my final charge to you it will then be your duty to decide from the evidence what the facts are. You, and you alone, are the judges of the facts. You will hear the evidence, decide what the facts are, and then apply those facts to the law which I will explain to you and that's how you will reach your verdict. In doing that you must follow the law whether you agree with it or not.

You must not take anything I may say or do during the trial as indicating what your verdict should be. Don't be influenced by what I'm writing on the computer, that is not your concern. You shouldn't say that must be important, she's writing. It may have nothing do in fact with what is going on with the trial so don't be concerned with it.

You will decide what the facts are from the evidence that will be presented here in the courtroom. That evidence will consist of the testimony of witnesses, documents and other things that are received into evidence as exhibits and any facts on which the lawyers may agree or stipulate to or that I

may instruct you to find.

There are two kinds of evidence; direct evidence and circumstantial evidence. Direct evidence is testimony by a witness about what that witness personally saw or heard or did. Circumstantial evidence is indirect evidence, that is, it is proof of one or more facts from which you can find another fact.

You may consider both direct and circumstantial evidence in deciding this case. The law permits you to give equal weight to both direct and circumstantial evidence or no weight to it for it is up to you to decide how much weight, if any, to give to any piece of evidence.

As the sole judges of the facts, you must determine which of the witnesses you believe, what portion of their testimony you accept, and what weight you attach to it.

At times during the trial I may sustain objections to questions that are asked. When that happens, I will not permit the witness to answer or, if the witness has already answered, I shall instruct you that the answer be stricken from the record and that you disregard it and dismiss that particular answer from your minds.

In reaching your decision you may not draw any inference from an unanswered question so the question, of course, is not evidence, only the answer, nor should you consider any testimony that I have ordered stricken from the

record.

The law requires that your decision be made solely upon the evidence before you. The items I exclude from your consideration will be excluded because they are not legally admissible as evidence.

The law does not, however, require you to accept all of the evidence that I do admit. In determining what evidence you will accept you must make your own evaluation of the testimony given by each of the witnesses and of the documents presented to you and determine the weight that you choose to give to each witness' testimony or exhibit. There is no magical formula by which you should evaluate either testimony or exhibits. I will, however, give you some guidelines for determining the credibility of witnesses at the end of the case.

At this time, suffice it to say, that you bring with you to this courtroom all of the experience and background of your lives. You do not have to leave your common sense outside the courtroom. The same types of tests that you use in your everyday dealings are the same kinds of tests you will use during your deliberations.

As I have explained, the questions and objections of the attorneys are not evidence, nor is any testimony that I tell you to disregard. The statements and arguments of the attorneys during any part of the trial are also not evidence.

Further, anything you may see or hear when court is not in session, even if what you hear or see is said or done by one of the parties or one of the lawyers or one of the witnesses, that's not evidence, only what is admitted into evidence here when the court is in session and all of the parties and jurors are present, only that is competent evidence.

Now, I want to caution you about certain principles governing your conduct as jurors. First, please do not communicate with each other about this case or with anyone involved with this case until the end of the case when you go to the jury room to decide on your verdict.

Second, do not communicate with anyone else about this case or with anyone who is involved with this trial until the trial has ended and you have been discharged as jurors. The term "anyone else" does include members of your family and your friends. You of course can say to them that you were picked as a juror and you can say it is a civil case; you can probably even say it is a patent case, but that's it. You shouldn't discuss the case, you shouldn't discuss anything about the case until you have been discharged.

Additionally -- and this is very important in today's world -- do not post any information on the internet about your service as a juror or any information about the case on Facebook, MySpace, Twitter, blogs, web services that would violate your duty as jurors.

Third, do not let anyone talk to you about the case or with anyone who is involved with the case. I'm sure it wouldn't happen in this case of case but if anyone should talk to you, that would be improper; you can report it to my clerk and my clerk will tell me.

The lawyers and their clients all know that they're not supposed to speak to any juror or even acknowledge you with hello or good morning outside the courtroom. Therefore if you bump into one of these lawyers in the morning and they're not nice to you, it is because they're told not to say anything to you. They're certainly not rude but know they shouldn't have any contact with you. The reason is simple: Someone watching from a distance might not hear what is said between an attorney and juror so even a pleasantry like good morning would create a misimpression.

Fourth doesn't apply to this case, I don't know why I'm saying it: Don't read anything in the newspaper about this case. But there won't be anything in the newspaper about this case. It is not that kind of case.

Fifth, and this is important: Do not do any research or investigation about the case on your own. That would violate your duty as a juror. It is tempting to go home on the internet and start Googling these companies. You must not do that. Everything you learn about a trial you learn in the courtroom and these days it is hard to police that because it

is easy to do. I can only tell you you mustn't do that. In the old days people, to violate my instruction, had to go to the library and it would be a trip. Now you can go to your computer. The reason is simple: The parties are entitled to you have personally render a verdict in this case on the basis of your independent evaluation of the evidence presented here in the courtroom after you deliberate together with the other jurors. Obviously if you speak to anyone else including your family and friends about the case outside of the deliberation process, or if you tried to find evidence on your own, that compromises your service and your fairness to the parties.

Now, because this is a civil case you may have heard of a term that doesn't apply here. In a criminal case there is a phrase called "proof beyond a reasonable doubt." That's only for criminal cases. That requirement does not apply to civil cases, you should put that phrase out of your mind.

In civil cases the burden of proof is different, it is called proof by a preponderance of the evidence. When a party has the burden of proof on any claim or defense by a preponderance of the evidence it means simply that the evidence must persuade you that the claim or the defense is more probable than not. As to some claims and defenses the parties have a different burden. Sometimes we have a burden here called proof by clear and convincing evidence. That's higher than a preponderance of the evidence. When a party has the

burden of proving any claim or defense by clear and convincing evidence it means the evidence has persuaded you that the claim or defense is highly probable. So, such evidence requires a higher standard, as I said, than proof by a preponderance of the evidence, and of course I will explain this to you much more fully and all over again in my final charge.

Now, this case involves a dispute over a United States patent. Before summarizing the positions of the parties and the legal issues involved in this dispute I want to explain what a patent is and how one is obtained.

The United States Constitution grants Congress the power to enact laws to promote the progress of science and useful arts by securing, for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries. Using this power, Congress has enacted the patent laws.

Patents are granted by United States Patent & Trademark Office which we call the PTO. A valid U.S. patent gives the patent-holder the right for up to 20 years from the date of the patent application was filed to prevent others from making, using, offering to sell or selling the patented invention within the United States or from importing it into the U.S. without the patent-holder's permission. A violation of the patent-holder's rights is called infringement. The patent holder may try to enforce a patent against persons

believed to be infringers by a lawsuit filed in federal court.

The process of obtaining a patent is called patent prosecution. To obtain a patent, one must file an application with the PTO. The PTO is an agency of the federal government and employs trained examiners who review applications for patents. The application includes a section called the specification which must contain a written description of the claimed invention telling what the invention is, how it works, and how to make and use it so that others skilled in the field will know how to make and use it.

The specification concludes with one or more numbered sentences and these are the patent claims. When the patent is eventually granted by the PTO the claims define the boundaries of its protection and give notice to the public of those boundaries. Claims can be independent or dependent. An independent claim is self-contained. A dependent claim refers back to an earlier claim and includes the requirements of the earlier claim.

After the applicant files a patent application, a PTO patent examiner reviews it to determine whether the claims are patentable and whether the specification adequately describes the invention claimed.

In examining a patent application the patent examiner reviews records available to the PTO for what is referred to as prior art. The examiner will also review prior art if it is

submitted to the PTO by the applicant. Prior art is defined, by law, and at a later time I will give you specific instructions on what constitutes prior art. However, in general, prior art includes things that existed before the claimed invention that were publicly known or used in the publicly accessible way in this country, or that were patented or described in a publication in any country. The examiner considers, among other things, whether each claim defines an invention that is new, useful and not obvious when compared with the prior art. A patent lists the prior art that the examiner considers. This list is called the cited references.

After the prior art search and examination of the application, the patent examiner then informs the applicant, in writing, what the examiner has found and whether any claim is patentable and thus will be allowed. This writing, from the patent examiner, is called an office action. If the examiner rejects the claims, the applicant then responds and sometimes changes the claims or submits new claims. This process which takes place only between the examiner and the patent applicant may go back and forth for some time until the examiner is satisfied that the application and claims meet the requirements for a patent.

The papers generated during this time of communication back and forth between the patent examiner and the applicant make up what is called the prosecution history. All of this

material becomes available to the public no later than the date when the PTO grants the patent. Just because the PTO grants a patent does not necessarily mean that any invention claimed in the patent is in fact legally entitled to the protection of a patent. However, a patent is presumed to be valid. Nonetheless, the examiner may not have had available all the information that will be presented to you during this trial.

A person or company accused of infringement has the right to argue, here in federal court, that a claimed invention of the patent is not entitled to patent protection because it does not meet the requirements for a patent. In other words, an accused infringer may defend a suit for patent infringement on the grounds that the patent is invalid.

Now I'm going to be playing for you a 17-minute video that was designed to show to jurors in patent jury trials. It contains important background information that was intended to help jurors understand what patents are and why they're needed and how inventors obtained them, the role of the PTO, and why disputes about patents often arise. The video is entitled an introduction to the patent system. It was developed with the assistance of an advisory committee of district judges -- judges like myself -- and patent attorneys working together.

Special care was taken to ensure that it provides an impartial and objective view of the patent process. However, although the video I'm about to show you was crafted with great

care, it was not created with this specific trial in mind. Because of that, it might contain information that is not relevant to the case that is about to be presented to you. For example, the video is going to discuss something called the best mode requirement which is not relevant to this case. It will also discuss proof by a preponderance of the evidence which is relevant to some portions of this case but it will not discuss proof by clear and convincing evidence which is relevant to some portions of this case. Furthermore, this video was created in 2002 and some points of law might have changed a bit since then.

In light of all of this you should take the video for what it is: A general induction to the patent system -- but you must rely on my instructions at the end of the case, not anything contained in the video, for all the points of law that you will need to decide this case.

Now, while playing the video there is a handout of sort of a sample patent that was designed to be given to you as you watch the video. So, my clerk is going to give you the handout and then the parties will start playing the video.

Are we ready? Are we teed up to play it? Okay.

SPEAKER: What a patent is. We hope to answer that concern with this brief video which will give you some of the background needed to do your job.

This case will involve some special issues that the

Judge and lawyers will explain to you but all patent cases involve some basics that you will learn about.

This video will discuss what patents are, why we have them, how people get them, and why there are disputes that require us to call in a jury like you. We will also show you what patents look like.

The United States Constitution gives Congress the power to pass laws relating to patents. It allows Congress to promote the progress of science and useful arts by securing, for limited times to authors and inventors, the exclusive right to their respective writings and discoveries. A patent then is an official grant by the United States government that gives its owner certain rights to an invention. Those include the right to keep others from making, using, selling or offering for sale the invention that is described in the patent.

A patent lasts for a specific period of time, usually 20 years, and represents a bargain made between the government and the inventor. In return for the right to keep others from using the invention, the inventor must enhance the public knowledge -- or what we sometimes call the state of the art -- by adding something new and useful to it. An example is Thomas Edison's invention of the light bulb. During the lifetime of the patent its disclosure may inspire new inventions and after it expires, the invention is free for anyone to use. It is this giving of something new and valuable to the public that

justifies giving a patent to the inventor.

A patent is in many ways like a deed to a piece of property. It grants the owner the right to keep people off the property or to charge them a fee like rent for using it. And just as a deed sets limitation of the rights on the landowner, a patent sets limits on the rights of an inventor.

The patent system works because the inventor is required to describe the invention in clear and specific terms so that the public knows what the boundaries of the invention are. Once a patent is issued by the government it becomes available for public inspection. In that way anyone who learns of the patent and is interested can read it and understand exactly what the inventor has claimed to have invented.

Now that we understand what a patent is, let's take a closer look at the term invention.

An invention is a new way of solving a problem. The patent process begins in the mind of the inventor and, in particular, when the invention is formulated in the mind of the inventor. Patent lawyers call this conception. This is when the idea occurs to the inventor clearly enough that he or she can write it down and explain it to someone.

To qualify for a patent the invention needs to be new and useful. Also it must not be obvious to one of ordinary skill in the field. If the inventor believes these requirements are met, he or she will prepare an application for

filing with the United States Patent & Trademark office in Washington, D.C. The patent and trademark office, often called the PTO, is the agency of the federal government whose job it is to examine patent applications to make sure they are in proper form and comply with the requirements of the law. The inventor can prepare the application for filing with the PTO but usually it is drafted by an attorney who specializes in this work or by a patent agent who is not an attorney. The attorney or agent works with the inventor to be sure the invention is described and claimed in a way that complies with the law and the regulations of the PTO.

As you can see, the application is basically a typewritten document in which the inventor describes the invention he or she is trying to protect. When the PTO receives the inventor's application, it assigns a patent examiner -- a staff person -- with a background in the field or art the invention falls within to examine the application and decide whether a patent can be granted.

You've been given a sample patent to refer to as you watch this video so you already have a sense of what a patent looks like, but now let's take a closer look at the three main parts to a patent.

To begin with there are some basic identifying information on the first page. This material is highlighted in your handout. On the upper right side of the page is the

number assigned to the patent by the government. On the left side is a title that describes the invention, the names of the inventors and sometimes the company they have assigned the patent to and the date when the patent application was filed. There is also more detailed information on the first page including a list of numbers following the caption field of search. These numbers identify previously issued patents the examiner looked at or searched to make sure the applicant's claimed invention really is something new, not obvious, and thus patentable. Also listed on the first page are what we call references; that is previous patents or articles that describe the technology or prior art known at the time the application was filed.

It may seem strange to you that we call this pre-existing technology prior art even though it has nothing to do with artists. We use the word art in its broadest sense to include inventions and other subject matter reasonably related to the claimed invention. We also refer to the latest technology as state of the art and we say if someone who can understand and apply the technology that he or she is skilled in the art.

The second major part of the patent is what we call the specification or written description. As is the case in your sample, it is usually the longest part of the patent. It includes an abstract which is a brief summary of the invention,

a background section that describes the nature of the problem the invention is supposed to solve, one or more drawings called figures that illustrate various aspects of the invention, and a detailed description of one or more embodiments of the invention. An embodiment is a specific device or method that uses the invention such as a particular form of light bulb.

The third and most important part of the patent is the claims. These are the numbered paragraphs that appear at the end. The claims are what give the public notice of the boundaries of the invention. They are similar to the description of property you may have seen in a deed referring to precise measurements taken on the ground.

Now that we've discussed the main parts of a patent let's take a look at how the PTO processes patent applications. This process which is called prosecution of the patent application begins when the inventor's application arrives at the PTO mail room. There it receives a stamp that establishes its filing date. Every year the PTO receives over 300,000 applications and issues more than 150,000 patents.

Applications go from the mail room to the office of initial patent examination which looks them over to make sure all the required parts are there. This office also decides what field of technology an application relates to and assigns it to the appropriate examining group. Soon it is assigned to an individual patent examiner for handling. It then gets put

in a stack to wait its turn for examination. The reason is that examiners have to review the applications assigned to them in the order in which they have been filed. In time, the examiner turns to our inventor's application and begins by reading it, especially the specification and claims in order to come to a conclusion about whether the inventions described in the claims are patentable. A patent might contain one claim or many claims and the examiner must make this conclusion about each individual claim. In order to make that decision the patent examiner usually looks at patents that have been issued previously in the same or very closely related fields of art. In most areas of technology the examiner also has computer databases that contain limited additional information.

Another part of the job is to decide if the inventor's description of the invention is complete and clear enough to meet the requirements for a patent including the requirement that the description enables someone of ordinary skill in the field to actually make and use it. It is important to note that the process of patent examination is private. That is, the public does not know that someone has applied for a patent on an invention until the patent issues or, in some cases, until the application has been pending for at least 18 months. The reason for this secrecy is to give the inventor a chance to get the examiner's reaction to the application and decide whether to withdraw it for whatever reason and keep the

invention as confidential information. However, because the process occurs mostly in private and because the job of examining so many applications is very challenging, the law requires the applicant to tell the examiner whatever he or she knows about the prior art that might be important to the examiner's decision on whether to allow the patent. We call this the applicant's duty of candor. One way the applicant can satisfy this duty is by bringing certain prior art to the attention of the examiner either in the original application or in other submissions called information disclosure statements. In this way the decisions of the examiner are based on both the information provided by the applicant and on the information the examiner is able to find during the examination process. Sometimes the examiner concludes the application meets all the requirements we've discussed and allows the patent to issue at this first stage but more frequently the examiner will reject the application as deficient in some respect. At that point the applicant usually prepares a written response either agreeing or disagreeing with the examiner. An applicant who agrees with the examiner can submit amendments to the application designed to overcome the examiner's objection and an applicant who disagrees with the examiner can explain the reasons for the disagreement. This exchange of office actions and responses goes on until the examiner issues a final office action which may reject or allow some or all of the applicant's

claims. Once a final PTO office action has occurred and one or more claims have been allowed, the applicant is required to pay an issuance fee and the patent is granted.

Then, on the date shown in the upper right corner of the first page of the patent, it is issued by the PTO and the inventor receives all the rights of a patent. That date is highlighted on your sample. By the time a patent issues and the public can take a look at it, the record of what the examiner did is also made public. This is the patent's file which we call the prosecution history. The file history contains the original application and all the communications between the applicant and the patent examiner including a record of any rejections, the applicant's responses, and any amendments.

Once a patent is issued, the inventor or the person or company the inventor has assigned the patent to can enforce the patent against anyone who uses the invention without permission. We call such unlawful use infringement. But, the PTO and its examiners do not decide infringement issues. If there is a dispute about infringement it is brought to the Court to decide. Sometimes in a court case you are also asked to decide about validity, that is, whether the patent should have been allowed at all by the PTO.

A party accused of infringement is entitled to challenge whether the asserted patent claims are sufficiently

new or non-obvious in light of the prior art, or whether other requirements of patentability have been met. In other words, a defense to an infringement lawsuit is that the patent in question is invalid.

You may wonder why it is that you would be asked to consider such things when the patent has already been reviewed by a government examiner. There are several reasons for this: First, there may be fact or arguments that the examiner did not consider such as prior art that was not located by the PTO or provided by the applicant. Another reason may be the failure by the applicant to disclose the best way of making or using the invention which is another requirement for getting the patent. In addition there is, of course, the possibility that mistakes were made or important information overlooked. Examiners have a lot of work to do and no process is perfect.

Also, unlike a court proceeding, prosecution of a patent application takes place in private without input from people who might later be accused of infringement. So, it is important that we provide a chance for someone who is accused of infringement to challenge the patent in court.

In deciding issues of infringement and validity it is your job to decide the facts of the case. The judge will instruct you about the law which may include the meaning of certain words or phrases contained in the patent but it is up to you, as exclusive judges of the facts, to apply the facts as

you find them to the law and decide the questions of infringement and validity in the case before you. To prove infringement the patent holder must persuade you that it is more likely than not that the patent has been infringed. To prove that a patent is invalid the law requires a higher standard of proof since the PTO is presumed to have done its job correctly. The party accused of infringement must persuade you that it is highly probable that the patent is invalid.

Good luck with your task and thank you for your service.

THE COURT: Okay. So I hope that video was somewhat helpful. I'm going to continue with my instructions now. I don't think I will be able to finish them before the luncheon break but I will get as far as I can. Let me tell you more now about this case.

This case, as you know, involves a dispute between two parties -- the plaintiff Medisim, as you know, the defendant BestMed, as you know. Also, there is a company called K-Jump Health Company which is not a party to the lawsuit but you will hear about them too and so I wanted you to know their name.

To help you follow the evidence I want to give you a summary of the positions of the parties.

The case here involves U.S. patent number 7,597668. We call it the '668 patent. It was obtained by Moshe Yarden -- you met him before -- he is the CEO of Medisim and was

transferred by Mr. Yarden to Medisim. For your convenience we are all going to call it the '668 patent.

Medisim filed suit in this court seeking money damages from BestMed for allegedly infringing the '668 patent. Medisim claims that BestMed directly infringed claims 1, 8, 9, 10, 11, 12, 15, 19 and 36 of the '668 patent by making, importing, using or selling or offering for sale certain thermometers in or into the United States. Medisim also asserts that BestMed indirectly infringed these claims by inducing the infringement of these claims by other parties. Claims 1, 8, 9, 10, 11, 12, 15, 19 and 36 of the '668 patent may be referred to as apparatus claims because they concern an apparatus or device, namely a thermometer.

Medisim also contends that BestMed infringed claims 21, 27, 32, 35 and 37 of the '668 patent. Medisim alleges that BestMed infringed these claims only indirectly, that is, by inducing others to infringe on these claims and/or by contributing to the infringement of these claims by others. Claims 21, 27, 32, 35 and 37 of the '668 patent may be referred to as method claims because they concern a method of performing a particular process, namely operating or using a thermometer. The products and methods that are alleged to have infringed involved thermometers manufactured by K-Jump and imported into and sold by BestMed in the United States.

BestMed denies that it either directly or indirectly

infringed any claims of the '668 patent. BestMed also contends that claims of the '668 patent are invalid for several reasons.

I will instruct you later as to the ways in which a patent may be invalid. In general, however, a patent may be found to be invalid if it is not new or is obvious in view of the state of the technology at the relevant time, or if the description in the patent does not meet certain requirements.

Your job will be to decide whether or not claims of the '668 patent have been infringed and whether or not those claims are invalid. If you decide that any claim of the '668 patent has been infringed and that the patent is not invalid, you will then need to decide the amount of any money damages to be awarded to Medisim to be compensated for this infringement. You will also need to make a finding as to whether the infringement was willful. If you decide that any infringement was willful, that decision should not affect any damages award you give. I will take willfulness into account at a later time.

Furthermore, you will need to decide if Medisim has proven that BestMed infringed Medisim's rights of copyright, engaged in unfair business competition with Medisim or was unjustly enriched at the expense of Medisim. All of these claims relate to the thermometers imported, used, and sold by BestMed.

These preliminary statements that I just gave you

should not be taken as an indication that I have any view regarding issues such as infringement and invalidity. They are solely to introduce you to the parties' contention. The decision on whose positions are correct is up to you, the jury.

Now, in deciding the issues I just discussed you will be asked to consider specific legal standards. I will give you a quick overview of those standards now but will review them in greater detail at the time that you are instructed to reach a verdict.

The first issue you will be asked to decide is whether BestMed has infringed the '668 patent. Infringement is assessed on a claim by claim basis. Therefore, there may be infringement as to one claim but not infringement as to another claim.

There are a few different ways that a patent may be infringed. I will explain the requirements for each of these types of infringement to you in detail at the conclusion. In general, however, a person might infringe a patent by making, using, selling or offering for sale in the United States or by importing into the United States a product or by using a method meeting all the requirements of a claim of another person's patent. A person may also indirectly infringe a patent by contributing to the infringement of another or by inducing another person or entity to infringe. I will provide you with more detailed instructions on these requirements for each of

these types of infringements at the end of the case.

Another issue you will be asked to decide is whether the '668 patent is invalid. As an initial matter, a patent issued by the PTO is presumed under the law to be valid. However, a patent may be invalid for a number of reasons including because it claims subject matter that is not new or is obvious.

All right. At this point I think I should pause because I can't finish in time. When you return I just have a few more minutes and we will go right into the parties' opening statement. And, I hope by the time you return it is much cooler. I know it is a little better but I would like it to be a lot better.

So, if you would please return at five after 2:00, that gives you an hour and a quarter we will pick up there.

Have a good lunch. Thank you.

A JUROR: Is there somewhere to go in the building or do you have to leave the building?

THE COURT: There is a rule on not using the cafeteria. I think you were instructed on that. I don't believe in the rule, I'm sure the lawyers wouldn't talk to you and I will tell you a secret: It is on the 8th floor.

A JUROR: One other question. I see everybody else has water. Can we bring water back?

THE COURT: Yes.

A JUROR: Thank you.

A JUROR: I have a question: Are we supposed to keep this or give it back?

THE COURT: You can leave it here. That's fine. Thank you.

A JUROR: Okay.

THE COURT: All right, folks. 5 after 2:00. I have less than five more minutes and we will go right into opening.

(Jury not present)

(Luncheon recess)

A F T E R N O O N S E S S I O N

(In open court; jury not present)

THE DEPUTY CLERK: All rise.

2:10 p.m.

THE COURT: They're not back. They're here? Okay.

(Jury entering the courtroom)

THE COURT: Who is opening for the defense? Mr. Kuo, are you opening?

MR. KUO: Mr. Cepuritis.

THE COURT: Oh. And you're opening, Mr. Christie?

MR. CHRISTIE: Yes, Judge.

(Jury present)

THE COURT: All right, everyone please be seated.

I know it's just the first day, and probably hard for you to judge how long it would take to eat out, but we were all here at 2:05, so please, in the future, please try and get back at the appointed time. I know you weren't in charge of the restaurant, but.

We'll pick up where left off. So just to give you the context, I'll repeat one of the paragraphs I read before to give the introduction. I think I said another issue you will be asked to decide is whether the '668 patent is invalid. As an initial matter, a patent issued by the PTO is presumed, under the law, to be valid. However a patent may be invalid for a number of reasons, including because it claims subject

matter that is not new or is obvious. For a claim in '668 patent to be invalid because it is not new BestMed must show, by clear and convincing evidence, that all of the elements of the claim are present in a single previous device or method or sufficiently described in a single previous printed publication or patent.

As I stated earlier, these are called prior art. If a claim is not new, it is said to be anticipated. Another way that BestMed could prove that a claim of the '668 patent was invalid is by proving by clear and convincing evidence that it was obvious. Even though every element of a claim is not shown or sufficiently described in a single piece of prior art, the claim may still be invalid if it would have been obvious to a person of ordinary skill in the field of technology described in the '668 patent at the relevant time.

You will need to consider a number of questions in deciding whether the inventions claimed in the '668 patent are obvious. Of course, I will provide you with detailed instructions on these questions at the conclusion of the case.

A patent may also be invalid if the description of the invention given in the specification section of the patent does not meet certain requirements. One such requirement is called the "written description requirement." In order to meet the written description requirement, the description of the invention in the specification portion of the patent must be

detailed enough to demonstrate that the applicant actually invented the invention claimed in the claims portion of the patent.

In order to be valid, a patent must also meet the enablement requirement. To meet this requirement, the description of the invention given in the patent has to be sufficiently full and clear to have allowed persons of ordinary skill in the field of technology of the patent to make and use the invention without undue experimentation at the time the patent application was originally filed. The written description requirement and the enablement requirement are separate and distinct. For example, a patent might meet the enablement requirement because a skilled artisan would be able to build the invention based on the patent's written description but, nonetheless, fail to meet the written description requirement because the written description failed to demonstrate that the inventor actually invented the invention claimed.

If you decide that any claim of the '668 patent has been infringed and that the patent is not invalid, then you will decide about whether to award money damages to Medism to compensate it for the infringement.

In addition to its claims of patent infringement, Medisim claims that BestMed has infringed its right of copyright. In order to prevail on its copyright infringement

claim, Medisim must prove two things. First, Medisim must prove that it is the owner of a work protected by the copyright act; second, that BestMed has infringed one or more of the rights in that work granted to Medisim by the Copyright Act. Each of these aspects has several elements that I will explain to you at the conclusion of the case.

Medisim also claims that it is entitled to damages because BestMed has violated New York State laws. Specifically, Medisim claims that BestMed's acts constitute unfair competition under New York State law, and that BestMed has been unjustly enriched at the expense of Medisim.

Now, I will conclude simply by telling you the stages of a trial. First, each party here, I think, intends to make an opening statement. An opening statement is neither the evidence nor argument. It is an outline of what that party intends to prove, and it's offered to help you follow the evidence.

Next, the plaintiff will present witnesses, and the defendant has a right to cross-examine those witnesses. Then, if desired, the defendant will present witnesses and the plaintiff may cross-examine them.

Here at this trial some of the witnesses that plaintiff will call are also defendant's witnesses, so they'll just testify once. Even though the plaintiff calls them, the defendant will also, in essence, be calling them at the same

time.

I may also permit at the end of the case the plaintiff to present additional witnesses to rebut any evidence that the defendant may put in, but that's very unusual and unlikely to happen.

After that, the attorneys will make closing arguments to summarize and to give you their interpretation of the evidence. Like opening statements, the closing arguments are not, themselves, evidence.

After those arguments, then I will instruct you on the law, and then you will retire to deliberate on your verdict. Please do not make up your mind about what the verdict should be until after I've instructed you on the law at the end of the case and you've gone to the jury room and you and your fellow jurors have discussed the evidence. Please keep an open mind until then. The parties deserve and the law requires that you give them an opportunity to be fully heard before you decide the case.

So with that, Mr. Christie, do you wish to make an opening statement?

MR. CHRISTIE: I do, Judge. Thank you.

May I proceed?

THE COURT: Please.

MR. CHRISTIE: Thank you.

Ladies and gentlemen, good afternoon. My name is

Scott Christie. You and I spoke -- well, I actually didn't speak, but you saw me earlier. We represent Medisim in this case.

This is a case about patent infringement, but it's not about a stranger who infringed the patent. It's about an infringer who was a business partner, people who were in a business relationship with each other. So not only is this case about patent infringement, as you heard from the Judge, but it's also about deception and betrayal in a business deal. It was a business partner who was really a business competitor.

You heard about the parties in this case. We represent Medisim. Mr. Moshe Yarden is here, you saw him earlier, he's the president and the CEO of Medisim, but he's also an inventor. And you will hear that he is the inventor of the patent at issue in this case which is going to be referred to as the '668 patent.

Medisim is a small startup company located in Israel. And you will hear about their products. You'll hear about their efforts to sell their thermometer products in the U.S. market, which brought them in relationship to BestMed, the defendant here.

You will also hear from John Wilson who was BestMed's, I'm sorry, who is Medisim's U.S. president for the U.S. operations.

So as you heard the Judge say, Medisim is a plaintiff

in this case and the legal claims here are against BestMed for patent infringement, for unfair business competition, for unjust enrichment, and for copyright infringement.

The defendant in this case is called BestMed. They're located in Colorado, and they're a larger company who distributes medical devices and sells them in the U.S, including thermometers. And they sell many of their products to large chains chain store, pharmacies and big box retailers like CVS, Rite Aid, Walmart, and Walgreens. And you'll see during the course of the trial that many of the devices actually carry the Walgreens or the Walmart name on them. That's called private labeling. It's not selling the product under the brand name of the manufacturer, but under the brand name of the retailer.

So in the medical device industry, and especially in the thermometer industry, it's quite common for a Walgreens or Walmart to have a device, including a thermometer, private labeled that has their own name on them. So just because it has the name of Walgreens or Walmart doesn't necessarily mean that Walmart manufactured it or that Walgreens manufactured it.

Stan Cohen is the CEO of BestMed and Michael Edmonds is the president of BestMed, and you will hear them testify here as well.

As the Judge mentioned, you will also hear about a company named K-Jump. K-Jump is a Chinese company located in

Taiwan, and, again, they are not a party to this case. There are no legal claims against them, but their name is going to come up frequently. And that's because the accused devices or the accused products were manufactured by K-Jump, imported into the U.S. and sold by BestMed. So because K-Jump is the manufacturer of the products that are at issue, you will hear quite a bit of information about them.

And in particular you'll hear from their president Mr. Daniel Tseng, T-s-e-n-g, and you'll hear from their research and development special assistant, Mr. Yen-Ming Shsu, but you won't hear from them live. They will appear by videotape. And you will see the videotape of their sworn testimony in the trial.

And even though again K-Jump is not a party to this case, you will hear, and the evidence will show that there was a strong business relationship between K-Jump and BestMed. A Mr. Tseng, the president of K-Jump owns a 10 percent interest in BestMed. BestMed largely is a distributor of K-Jump products in the U.S., and as a result they have a very close working and business relationship.

So what is this case about? Well, it starts back 2003 or thereabouts, and this is before the '668 paint issued. Medisim again, small Israeli company manufacturing thermometers. They were looking to distribute their product in the U.S. And they had never done that before, and they needed

a partner because they didn't have the capabilities of doing it themselves. And at that time their most recent technology thermometer was called the FHT-1, FHT standing for four head thermometer. And there on the screen you'll see what the FHT device looks like. I have a version of it here in my hand. And it's a thermometer that you use to take your temperature at your temple; hold it to your temple, press the button, hold it for a few seconds, and the display reads out your temperature.

So, again, at the time in the late -- in the early 2000s, that was the most recent technology thermometer that Medisim had.

You will also hear that thermometer referred to as the Medisim DTT standing for digital temple thermometer. And that was the name that BestMed chose for it at a later point in time.

The evidence will show that this device, the FHT-1, does not practice the invention of a '668 patent. You will hear that it is covered by another patent, which goes by the number 6280397, and will probably be referred to commonly as the '397 patent. Just to be clear, Medisim is not claiming that anyone has infringed the '397 patent in this case, just the '668 patent.

So in early 2003, again Medisim is looking for a distributor of its thermometer products. They're located in Israel. They're a small company. They don't have experience

in the U.S. market. So they learn about BestMed and make an inquiry to BestMed, and ask to come over to Colorado to demonstrate to BestMed what they're capable of and what their products are.

So the evidence will show that BestMed agreed. There was a meeting in the spring of 2003. And you know BestMed was, I think by all indications, pleased with what they saw, and wanted to move forward with the relationship. So Mr. Yarden provided BestMed with samples of the FHT-1 device. And BestMed, as you'll see, and as the evidence will show, realized that that is a revolutionary product, a category changing product. In fact, BestMed was so excited about being able to sell the FHT-1, that soon after the meeting it arranged a meeting with a buyer at Walgreens to try and sell this FHT-1 product.

But at that time BestMed was jumping the gun, because there was no agreement between Medisim and BestMed. There was no production model of the thermometer. It was still in its sample form. And Medisim had no production capabilities. Nevertheless, BestMed went ahead with the meeting and, as expected, Walgreens was excited about this product and wanted to place a significant order, more than 10,000 units. Mr. Yarden was unsophisticated about the U.S. market, and he had never sold thermometers in the U.S. So his dealings with BestMed were his first experience in this area. And he didn't

know that this meeting with Walgreens was likely to lead to an immediate purchase order. When he learned about it, he was overly optimistic about being able to meet the production schedule, because he wanted to have a good relationship with BestMed, and he didn't fully appreciate all of the technical hurdles that would come to making this product a production model. He was relying upon BestMed's judgment in this regard and he wanted to maintain a good relationship because he needed a business partner in the U.S. to distribute his product.

When this meeting with Walgreens happened and there was a miscommunication about the significance of the meeting, Mr. Yarden was a little uncomfortable with BestMed. He wasn't too thrilled about the judgment that they exercised in making this business pitch before there was a written agreement, before there was a production model of the thermometer, and before there was even production capabilities set up to meet the demand of Walgreens. So in November of 2003 he pulled back a little bit. He said, you know, Mr. Cohen at BestMed, please don't show my product, the FHT-1, to anyone else for a while, I need to think about my business options here, so please don't do that any more.

So you will also hear then, the evidence will show, that about June 2004, after giving consideration to all of the business opportunities he had available, Mr. Yarden decided he was still going to go with BestMed, and he told BestMed that he

would allow BestMed to market and sell the FHT-1 thermometer in the U.S. on behalf of Medisim.

Several months thereafter, in November 2004, BestMed and Medisim signed an agreement called the international distribution agreement. And you will see a copy of that document in evidence in this case. It has lot of terms in it, but primarily it was an agreement to allow BestMed to be the exclusive distributor of the FHT-1 thermometer for Medisim in the U.S.

So Mr. Yarden completes the production model of the thermometer, it's fully tested, and production starts rolling off the production line. So by mid 2005, Medisim begins supplying the FHT-1 thermometer to BestMed so that BestMed could try to sell it to Walgreens and CVS and Walmart and all the other big box retailers.

But it took Mr. Yarden awhile to get up to speed with regard to production, you'll hear. Again, it's a startup company, and he was new to meeting large quantity purchase orders, and there were some growing pains in the relationship between BestMed and Medisim.

Mr. Yarden was not used to producing thousands of units at a time for shipment and distribution. And you'll hear, and we don't deny, there were some late shipments to BestMed. You'll hear there are some product returns, but nothing extreme or nothing unusual in this industry, in this

field. And Mr. Yarden tried to make good by providing some product for free, and absorbing some of the additional costs. But again Mr. Yarden was an unsophisticated businessman in the U.S. and he was trying to ramp up as best he could, and there were unforeseen things along the way. But you'll also hear that soon after production started, Medisim moved some of its production capability to China, and by virtue of doing that many of these issues were largely resolved.

But more importantly, the FHT-1 quickly became a best seller for BestMed. They were selling them quicker than they could get ahold of them. They were selling thousands and thousands and thousands of these thermometers to Walgreens, Walmart, CVS, the big retailers that we spoke about, and Medisim was looking forward to long mutually beneficial relationship with BestMed.

But you'll see, and the evidence will show, that BestMed had other ideas. BestMed realized that K-Jump could make a thermometer similar to the FHT-1 in China and charge BestMed less per device than Medisim was charging. And that, of course, would give BestMed a higher profit margin.

So you'll see and you'll hear from the evidence that BestMed wasn't concerned about its loyalty to Medisim. BestMed's loyalties were for sale to whoever made BestMed the most money.

You'll also hear that way back in 2003, even before

there was a signed agreement, Mr. Cohen asked K-Jump to produce a thermometer like the FHT-1 thermometer for BestMed way back in 2003.

Jumping ahead a few years, as I mentioned earlier, production started in 2005, and even soon after the production started rolling into BestMed, BestMed was already planning to replace Medisim with K-Jump as its supplier of the thermometer.

In August and September of 2005, BestMed sent K-Jump samples of the FHT-1 thermometer. In November of 2005, BestMed again talked to K-Jump about supplying a thermometer to replace the FHT-1. And at that time you will hear, and the evidence will show, that K-Jump already had a working sample of a replacement thermometer for the FHT-1. And at that time you will also hear that Mr. Cohen told Mr. Daniel, the president of K-Jump that he, Mr. Cohen, was interested in purchasing that thermometer from K-Jump when the agreement between BestMed and Medisim expired. So even before the ink is try dry on the agreement, Mr. Cohen is talking to K-Jump about being a replacement supplier.

So to assist K-Jump in its efforts, BestMed also supplied K-Jump with design information and technical information about the FHT-1 thermometer that it had received from Medisim, including information about putting the thermometer in a test mode, and testing protocols, and it even included the instruction manual for the FHT-1 thermometer.

So while BestMed is conspiring with K-Jump behind Medisim's back, Mr. Yarden is in the process of inventing and creating a new temperature measurement technology, which is the subject of the patent at issue in this case, and that ultimately is the technology that becomes the '668 patent. And I'll get into that in a little bit and provide more detail.

And ultimately, as you'll hear Mr. Yarden applies for a patent about this invention, and he does inform Mr. Cohen, the president, I'm sorry, the CEO of BestMed about the invention and about the patent application.

And this new technology was embodied, as the evidence will show, in a successor product to the FHT-1 thermometer, a device called the FHT-1A. Now your eyes aren't playing tricks on you, because you'll see, and the evidence will show that looking at the FHT-1 and the FHT-1A. side by side, it would be incredibly hard to tell the difference. The difference is inside. The difference is the technology that runs the thermometer. It's like an upgrade of the software to your cell phone; the housing remains the same, but the way it functions is different. So you'll see and you'll hear, that despite the fact that they look almost identical, it's the secret sauce inside that makes them different.

You'll also hear that even with BestMed's help, it took K-Jump awhile to create its own replacement temple touch thermometer, which ultimately became known as the KD-2201

model. And part of the reason for the delay in K-Jump getting its production up and running, was that it had to complete the creation of a production model and also had to test the product. And you'll also hear that BestMed was very very particular about how this replacement product should look and how this replacement product should operate. BestMed specifically told K-Jump that it wanted this new model, the KD2201, to look and function just like the FHT-1; copy the exterior design, copy the color scheme, copy the startup beep sequence, copy the error codes, copy the instruction manual, copy the packaging, copy everything. And K-Jump was happy to comply. And you'll see the results of K-Jump's efforts in evidence at trial.

What you're seeing on the screen now is the KD-2201. Also part of the reason for the delay in K-Jump getting its manufacturing up and going was it even, after it created a production model, and even after it tested it, K-Jump had to get approval from the Food and Drug Administration, the FDA. Because you'll hear that you can't just import a medical device in the U.S. and sell it. The FDA is there to try to protect consumers from medical devices that are unsafe, and they have a process that you have to go through in order to get approval to sell them. And you'll hear a shorthand for that, which is called the 510K process. The 510K process is a process which just, in general, requires the manufacturer to submit detailed

technical report describing the product and how it works. And the FDA can request further information, and ultimately at the end of this process the FDA blesses the product and allows it to be sold in the U.S. So all medical devices require the 510K approval from the FDA in order to be sold in the U.S., again in order to ensure that unsafe medical devices are not hurting consumers.

But there was a problem, you know. K-Jump had submitted its paperwork to the FDA, but it was taking an unusually long period of time. And BestMed couldn't sell the K-Jump product until the 510 approval was completed. But they were running out of time because the agreement between BestMed and Medisim was due to expire in May 2007. And BestMed need an uninterrupted supply of these thermometers to keep its customers happy.

So even after the agreement expired in May 2007, BestMed kept ordering these thermometers, the FHT-1, and ultimately the FHT-1A, and Medisim continued to supply them. But there was no followup agreement in place. Nevertheless, BestMed led Medisim to believe that it was going to renew the contract and that it was a mere formality. BestMed wanted Medisim to believe that it was a reliable business partner, when the evidence will show they were just waiting for the chance to kick BestMed, I'm sorry, to kick Medisim out and replace Medisim with K-Jump. But even with BestMed stalling

Medisim, telling them that an agreement would be signed and then not following through, K-Jump still couldn't get its act together quickly enough.

In June of 2007, K-Jump did receive FDA approval to sell its replacement thermometer in the U.S. But even with that approval, it couldn't ramp up production quickly enough to satisfy BestMed's needs. So you'll hear that many many months after the original agreement lapsed in May 2007, BestMed did sign another distribution agreement with Medisim, but only after Medisim exerted some pressure on BestMed to do that. It was for a shorter period of time, and this agreement expired, as you will hear, in May of 2009. And under the second agreement, Medisim was selling to BestMed not only FHT-1, but the FHT-1A model as well.

It isn't until early 2008, that Medisim learns for the first time about Medisim's disloyalty. After stalling for so many months about renewing the contract, Mr. Cohen finally admits to Mr. Yarden, we intend to replace you with K-Jump. We're going to move the production of this thermometer from Medisim to K-Jump. It was only then, early 2008, that Medisim finally appreciated that BestMed was not a reliable business partner. Nevertheless, Medisim didn't have a lot of options. It was a small company, it had to -- to sell its product in the U.S. and it held its nose and followed through on the second agreement because that was the most effective and efficient way

to do it from a business perspective.

So despite all the shenanigans that went on Medisim continued to supply and met the terms of the second distribution agreement.

But you will also hear that immediately after the second distribution agreement ended in May 2009, BestMed dropped Medisim like a hot potato and started selling the K-Jump replacement thermometer.

As you'll see, it looks almost identical to the best -- to the Medisim model. You will see that it had an instruction manual that is, again, almost identical. And you'll be able to compare and contrast, yourselves, the two instruction manuals for the FHT-1 and for the K-Jump product, the KD-2201.

Medisim has a copyright registration on the instruction manual for the FHT-1, meaning that it applied to the U.S. copyright office and received copyright protection for that document. And you'll see that in evidence in this case.

So BestMed begins selling the KD-2201, the replacement thermometer, under the FDA approval that K-Jump received in June of 2007.

In the meantime, Mr. Yarden is still innovating and he's applying for the patent as we indicated, the '668 patent. And you'll hear that in October of 2009, the patent office issued the patent at issue, that's at issue in this case, the

'668 patent.

And the evidence will show, ladies and gentlemen, that the KD-2201 model, the K-Jump device, infringes the claims of the '668 patent. But BestMed continued to make sales of these infringing thermometers after the issuance of the '668 patent, and continues to do so to the present day.

So to understand the novelty of the '668 patent, you will also hear some technical testimony about older thermometer technologies, principles of thermometry, and the progression of technology that led to the '668 patent.

The evidence will show as following, ladies and gentlemen. And it should come as no surprise to you that, you know, getting a reliable body temperature is important to diagnosing and treating disease. It also should come as no surprise that core body temperature is widely considered to be the most reliable body temperature. And core body temperature is a very precise type of temperature. It's the temperature of blood in the pulmonary artery. And the pulmonary artery is the artery between the heart and the lungs.

But you can imagine that taking core body temperature directly is not something you would want to do every day. Because in order to do it and measure it directly, you would have to pierce the skin. And you would have to actually place a temperature sensor in the blood of the pulmonary artery. Again, as you can imagine, not something that people want to do

under most circumstances.

So I can also imagine the history of thermometry, in part, has been devoted to measuring temperature to approximate the core body temperature in a reasonable and reliable way, in a manner that doesn't require you to actually pierce the body and measure it, the blood in the pulmonary artery. So, for example, using an analogy, you have a pot roast and you want to tell what the temperature of the pot roast is. A reliable way to do that is to take a meat thermometer and stick it in the pot roast. It'll probe to the center of the pot roast and you'll get a pretty accurate temperature. Again, not a perfect analogy, but that would be something similar to measuring core body temperature in a human being. It would be invasive, there might be complications, and something to generally avoid.

So again, you know from your own personal experience when you were a child, or when you were a parent or both, about taking temperatures, especially with children. You know from your own personal knowledge that historically measuring temperature at certain parts of the body has been proven reasonably reliable, and doctors and clinicians have relied upon those measurements.

So, for example, it's probably clear that taking a rectal temperature, especially with a Mercury thermometer, is something that some of you remember when you were younger. And, you know, one of the issues though, of course, is that you

have to put the thermometer inside a body cavity, and you have to wait a long time, as you know, in order to get a reliable temperature.

Oral temperature, taking your temperature by putting a thermometer under your tongue, you know, goes back decades and decades. Again, that has been perceived to be a reliable approximation of core body temperature in the field.

Likewise the axilla, which is a fancy medical term for the under arm, your armpit, that has also been historically used as a means of getting a reasonable approximation of core body temperature. And one of the reasons that these parts of the body have proven reliable is because they are in a protected area. The rectum, the mouth, the armpit, are protected cavities in the body that are not subject to external environmental influences like some of the other points on the body where you would measure temperature. And, again, as I mentioned, the evidence will show that, especially taking oral temperature in the mouth is a reliable means of approximating this core body temperature that we've spoken about.

But, again, it's invasive. You need to put the thermometer in the mouth, in the rectum, under the armpit, and you have to wait a period of time. And especially if you have a young child, you may have to hold the child down in order to get a reasonable and reliable temperature.

And using a Mercury thermometer has its own risks,

because Mercury is a toxic substance. And if a thermometer breaks or if the child bites the glass thermometer, then you have a whole other medical emergency. It's inconvenient for children, especially if they're sleeping.

So as a result of these drawbacks or these downsides thermometer technology moved into the predictive area. How can we get a reasonable approximation of core body temperature quickly and noninvasively thermometer in a body cavity.

So what you'll see, ladies and gentlemen is that there is, again, the traditional invasive methods of thermometry, as we indicated. It takes time; one minute, two minute, three minutes, and you're waiting and you're waiting, and four minutes, and five minutes, and finally round about six minutes, if you're patient enough, you'll hit the equilibrium or the steady stay temperature. The Mercury won't go up any further in the thermometer. You'll hit the equilibrium point. And, again, with the interest in predictive technology, thought was given to other sites in the body other than the mouth, other than the rectum, other than the armpit, where a reliable temperature could be taken to a reasonably approximate core body temperature.

And more recently it's been the forehead, the temple and the ear. And I'm sure you ever some familiarity with products that measure temperature by taking those measurements at those sites. There are differing types of technology that I

need to briefly go over with you, because you'll hear them in the course of the trial.

Infrared technology. You'll hear that infrared technology requires, as do other technologies, a sensor. But for infrared the sensor does not contact the skin. What it does is like a camera, it takes a snapshot of the skin and it senses the infrared radiation or heat that's leaving the skin. So if you see the graphic, you see the camera taking a snapshot, and then you see the heat, which are the red lines flowing upward to the sensor in a rough approximation of how infrared technology works.

Critically, infrared technology does not measure the temperature of -- the temperature beneath the skin surface, just the heat that flows up from the skin surface out into the environment. Now, it usually takes about 30 seconds or a minute in order to get a reliable reading.

And you've undoubtedly seen thermometers that use this technology, the forehead scan. You scan it over your forehead and you get a reading. You've probably seen a thermometer that you place in your ear, place it in your ear and the infrared measurement comes from the tympanic membrane in the ear drum and you get a reading here. So these products would use infrared technology in order to measure temperature.

But, again, there are downsides to infrared as well. It can be uncomfortable in the ear canal, could be difficult to

use on a sleeping patient especially a child. It requires some technical skill to use it accurately. The electronics can be a little complicated. And in the scheme of things, they're relatively more expensive than other types of thermometers.

Infrared temperature measurement technology is completely different from conduction temperature measurement technology. Conduction requires the sensor, the temperature sensor to contact the skin. And what it does is not sense the heat leaving the skin, but it continuously measures the temperature generated at the skin under the surface of the skin, the heat under the surface of the skin.

So you see from the diagram the distinction between those two forms of temperature measurement technology.

You'll further hear a little bit more information at trial about two different types of conduction, measurement technology. And one of them is called prediction, the prediction method. This is an older technology. It's been around awhile, and it's a time-based technology. Again, over simplifying just for the sake of giving you an overview, what you do is you have one sensor and you take repeated short measurements over short periods of time, and by plotting those first few direct measurements, you are able to predict what the equilibrium or the steady state temperature will be and, you're able to do it in six seconds, and not six minutes.

You'll also hear about a form of conduction

technology called the heat flux method. And as opposed to the prediction method being a time-based method, the heat flux method is a distance-based method. And, again, you will hear more detail about this than I'm going to give you now, but in general, heat flux is the amount of heat per unit area. And if you know the distance between two sensors on the screen T1 and T2, and that distance is fixed and it doesn't change, you can measure temperature through the heat flux method.

So, ladies and gentlemen, the evidence will show that the FHT-1 model, the earlier model of thermometer that Medisim sold to BestMed, measures temperature through the heat flux method. But while the FHT-1 model was reasonably accurate, it became clear over time that it had some accuracy problems, especially in extreme environments, in extreme cold and in extreme heat. And the evidence will show that the problems with the FHT-1 were part of a larger confusion in the field of thermometry. Because there had been a misconception that measuring temperature, other than in the traditional areas, the oral, rectal and axillary, the under arm, would yield roughly the same result; so that if you measure temperature in a place other than those three that are done traditionally, you would expect to receive about the same result as if you put it in the rectum, in the mouth or under the armpit. And that was understandable, because oral temperature was widely understood to be a reliable approximation of core body temperature. But

in reality some body parts are better for achieving a reasonable approximation of the core body temperature than others.

The temple is a good place, but not as good as oral, but it's better than the bottom of your foot. And Mr. Yarden's flash of inspiration was that in other patents and in other scientific publications what you've heard is called the prior art, there had been this belief that if you're taking a direct measurement from the skin, what you are measuring is the core body temperature. But in fact it wasn't. It was something completely different. And Mr. Yarden realized that it's not core body temperature which is the temperature of the pulmonary artery. It's something called local or deep tissue temperature, which is the temperature under the skin. That's what you're directly measuring when you are applying the thermometer to the temple and taking the temperature measurement. So Mr. Yarden grasped this misperception, and he further grasped there was a reliable correlation between the deep tissue or local temperature and core body temperature, so that if you can measure the local or the deep tissue temperature and apply a mathematical algorithm to it to correct, you can reach a reasonable approximation of the core body temperature. And that was what was wrong with the FHT-1 model, because it was a temple touch thermometer. As you know, you touch it to your temple. But because the temperature was

taken on the exterior surface of the skin, it was subject to environmental factors which skewed the reading at higher and lower temperatures. So if you were in a hot environment, in the direct sunlight, you wouldn't necessarily get a reliable or as reliable a reading. Because unlike the mouth, which is a closed -- again, a closed environment, which is protected from environmental factors largely, the exterior of the skin is not. So, this led Mr. Yarden to apply for and receive the patent at issue in this case, the '668 patent.

And you'll hear a lot about the '668 patent. And there are a number of claim limitations in it. But some of the more important ones are that it requires calculation of a local temperature of the body using a function, including the time dependent parameters, and to calculate a core body temperature by correcting for a difference between the core body temperature and the local temperature.

So, in essence, ladies and gentlemen, it's a two-step process. You directly measure the local or deep tissue temperature and you apply a mathematical algorithm to achieve the core body temperature. In essence, that's what this convention stands for.

The evidence will show, ladies and gentlemen that the FHT-1, the predecessor device that Medisim sold, had two temperature sensors. And you'll also hear that the '668 patent requires one or more temperature sensors.

You'll also hear that the FHT-1, as you heard earlier in my opening, measures temperature only through the heat flux method. But you'll learn that the '668 patent permits temperature measurement through the heat flux method or through prediction. And we talked about prediction a little earlier. But critically what you'll hear is that the FHT-1 thermometer is a one step process, it is not a two step calculation process. For the FHT-1, you take the measurement and you directly calculate approximation of core body temperature; whereas, as we've indicated, and as the evidence will show, the '668 patent requires the two step process. You directly measure local or deep tissue temperature, and you correct in order to receive the core body temperature.

You'll hear a great deal more about the '668 patent, the claims, the specification in trial, and this is just designed to give you an overview of some of the important aspects of it.

You'll hear, and Medisim alleges, that BestMed and its KD-2201 device that it's selling for K-Jump infringes a number of claims of the '668 patent.

And as the Judge told you, there are some claims that are called apparatus or device claims, meaning how a specific thermometer works and how it measures temperature. And you'll hear, the evidence will show that the KD-2201 model, the K-Jump model that's manufactured and sold by BestMed, had only one

temperature sensor, not two, not three, just one. But, again, as you will also hear, and as the evidence will show, the '668 patent doesn't require two or more sensors. One sensor is just fine. One or more sensors meets the claim limitations of the '668 patent.

You will also hear, and the evidence will show, that the KD-2201 model doesn't use heat flux, it uses the prediction measurement technology that we talked about briefly earlier. And, again, as you heard a few minutes ago, the '668 patent permits that the measurement can be done through heat flux or through prediction. Either one is fine.

And, critically, you will also hear, and the evidence will show, that the KD-2201 model does in fact practice the two step calculation process. It does take a direct calculation of the local or deep tissue temperature and it does apply a correction in order to achieve approximation of core body temperature. Again, ladies and gentlemen, this is a summary, and you'll hear much more evidence about this, but these are some of the things to pay particular attention to when you are hearing the testimony and looking at the documents.

In addition to the device claims or the apparatus claims, there are some things that are called method claims. And Medisim contends that BestMed infringed some of the method claims of the patent which are not how a specific thermometer works, but a process of taking a temperature, and you'll hear

much more information about that later on.

You saw the KD-2201, but that's not the only thermometer device at issue in this case. You'll see that there are other infringing devices, and you'll hear evidence to that effect. The one on the left, which has a Rite Aid brand on it, is another K-Jump model, the KD-2210. The one on the right, the CVS branded model is another K-Jump model, the KD-2220. The allegation in this case is that all three, the 2201, the 2210, and the 2220 are accused or infringing devices of the '668 patent.

And as the Judge told you, you know, patent infringement requires you to look at the claims of the patent, and to do a claim-by-claim analysis. It's not an all or nothing proposition. You can find one or more claims are infringed, and one or more claims that are not infringed. But if the infringed, if the accused product or the accused process meets all of the requirements of one of the claims of the patent, then there is infringement.

Medisim's burden is to prove infringement by the preponderance of the evidence. And you heard that the preponderance of the evidence is often described as more likely true than not. And again as the Judge told you, it's not beyond a reasonable doubt like you hear on Law and Order or in a criminal case.

To assist you in understanding the issues related to

patent infringement, you'll hear not only from Mr. Yarden, the inventor of the '668 patent, but you'll hear from Dr. David Lipson. Dr. Lipson is a distinguished Professor at Cornell University. He is experienced in the field of thermometry, and he will be Medisim's expert on technical issues in this case.

You heard earlier in my opening about the instruction manual. And that forms another, the basis for another legal claim of Medisim's in this case. Because as I mentioned, Medisim has a copyright registration with the instruction manual for the FHT-1 thermometer. And the evidence will show that the K-Jump instruction manual is almost an exact copy of the instruction manual for the FHT-1.

And, again, you'll be able to compare the two instruction manuals yourself during trial and see for yourself. Medisim also believes that it has been unjustly enriched -- I'm sorry -- that BestMed has been unjustly enriched because BestMed received revenue from the sale of these three products, the KD-2201 the KD-2210 and the KD-2220, at the expense of the Medisim product, and more recent Medisim thermometer models, and that requires BestMed to make restitution of its profits to Medisim. So that's underlying the unjust enrichment claim in the case.

(Continued on next page)

MR. CHRISTIE: Finally, as you've heard, Medisim claims that BestMed committed unfair competition under New York Law and this legal claim is based upon the high degree of similarity between the exterior design of the Medisim product and the K-Jump replacement product. The fact that these are competitive products and the fact that Medisim was acting -- I'm sorry, that BestMed was acting in bad faith.

This is some of the evidence that you will see in support of the unfair competition claim in this case and I just want to make it clear that you will not hear testimony that these two products were sold side by side at a store at the same time. But, you will hear that the product on the left is the Medisim product and that was sold first in time, and you will hear that the product on the right, the K-Jump product, was sold afterward in the same stores and in this case in Rite Aid.

The same with this comparison, ladies and gentlemen; no claim that these two products were sold side by side on the same store shelves but that the Medisim product on the left was sold first and the K-Jump/BestMed product on the right was sold afterward at CVS.

So, in addition to hearing from Dr. Lipson on the technical issues you also will hear from Andrew Carter. Mr. Carter is Medisim's damages expert. He will tell you about his financial analysis of the harm that was caused to Medisim

by BestMed from the infringement of the '668 patent and the other legal claims and provide guidance as to what damages figure should be awarded to Medisim at the end of the day.

You will also hear, as the Judge indicated, that BestMed will be claiming that the '668 patent is invalid for one or more reasons. However, Medisim is confident that at the end of the evidence in this case, after you've heard and seen all of the evidence, that that claim will not hold any water and largely because Bestmed has a higher burden of proof.

You heard the Judge tell you and it is a matter of law that patents are presumed to be valid and because patents are presumed to be valid, BestMed has a higher burden to clear and convincing standard to show you invalidity which is more demanding than Medisim's burden of preponderance of the evidence to show infringement.

So, despite their best efforts, BestMed will not be able to demonstrate the evidence will show the invalidity of any claims of the '668 patent.

Ladies and gentlemen, I will have an opportunity to address you again after all the evidence has been admitted in this case in my closing argument or summation. At that point in time I will demonstrate to you that the evidence has in fact shown by the preponderance of the evidence that BestMed has infringed the '668 patent, committed unfair business competition, has been unjustly enriched, and has infringed

Medisim's copyright. Furthermore, the evidence will show that BestMed has not even come close to reaching its burden of showing invalidity of any claim of the '668 patent by clear and convincing evidence.

Thank you for your attention.

THE COURT: Thank you, Mr. Christie.

Ladies and gentlemen, I'm anxious to get the other opening statement in today so I would like to go right to it. If you just want to stand up and stretch for a minute we can all have a standing moment but then I would like to call on Mr. Cepuritis to give his opening statement.

Do you want the podium to remain where it is?

MR. CEPURITIS: Yes, your Honor. And if I may, during my presentation, use the ELMO?

THE COURT: Sure. That will be fine.

All right, Mr. Cepuritis.

MR. CEPURITIS: Thank you, Judge.

Good afternoon. I'm Tali Cepuritis, I represent BestMed, and with us today is the president of BestMed, Michael Edmonds -- Mike, would you please stand? And Stan Cohen, the CEO of BestMed.

This case is about a business opportunity that has been squandered by Medisim. Medisim dropped the ball and now they cry foul. This case is also about Medisim trying to take away the market that BestMed developed through its own efforts.

BestMed is a Colorado company founded in 2002 as a successor to a company called K-Jump U.S.A. that was founded in 1999. Mr. Edmonds was the president of K-Jump U.S.A. and continued, through now, as president of BestMed. Mr. Edmonds has a long many years of experience in selling medical instruments and it was Mr. Edmonds' efforts and expertise that created this market.

BestMed distributes medical instruments throughout the United States to drug store chains who then market these instruments under their own labels to the customers of BestMed, the typical ones you see on the slide there, and I'm sure you all recognize these companies.

BestMed has an extensive product line, primarily thermometers, but also nebulizers, blood pressure monitors and similar devices. You will notice that BestMed has its own color code, the blue and white, unless one of BestMed's customers insists that they want to use their own in-house colors. But BestMed's own color scheme is the blue and white scheme.

BestMed is a highly respected distributor and it enjoys its reputation and protects it diligently. BestMed's reputation is based on contacts and track record or performance. These are very important in this business.

Now, the principal issues in this case are, as you heard, unfair competition and unjust enrichment on the one hand

and patent infringement on the other. I will address these two in turn.

Medisim complains that BestMed is competing unfairly in the State of New York while selling a templar thermometer. Well, competition is a good thing. Competition keeps the prices down for the ultimate consumer. Competition is the foundation of American economy. There is nothing wrong with competition unless the competition is not fair.

Ladies and gentlemen, you will not hear any evidence of unfairness as to how BestMed has treated Medisim or as to how BestMed has competed with Medisim.

Medisim, as you heard, is a small startup company that had no United States market exposure. They wanted to sell products in the United States and they looked for a well-known distributor that would help them do that. They approached BestMed, BestMed had discussions with them, there were several products that Medisim wanted to introduce in the United States. Some of the products were similar, like a stick thermometer that was similar to what BestMed already had; they had the high quality stick thermometer so they were not interested.

Medisim did elicit interest in its forehead thermometer. There were several meetings and the technology sounded interesting at the time. Medisim labeled it the R-A-T-E or the R.A.T.E. technology as something revolutionary. Well, it is a nice selling approach. BestMed accepted it and

decided that this was something worth a try. Samples were sent by Medisim to BestMed and there was a business opportunity, a window of opportunity with Walgreen's, a long-standing customer of BestMed to make a sales presentation. Walgreen's liked the product, they committed to purchase more than -- slightly more than 10,000 units of this product. BestMed reported back to Medisim, Medisim was excited and BestMed was happy.

Now, BestMed kept asking Medisim: Are you sure you can deliver? Yes, they said; we can deliver. Well, it didn't quite turn out that way.

Now Medisim points that it is BestMed to blame as being too hasty. Not quite. It was Medisim that was anxious to enter into the United States market and BestMed was trying to help them do so.

Several concerns are expressed by Mr. Cohen directed to Medisim: Are you sure you can deliver? How is the process coming? Ultimately Medisim had to fess up and say we cannot deliver, we cannot deliver on the schedule that we promised. Now BestMed's reputation is at stake with one of their best customers, one of their major customers. Well, BestMed had no choice but eat crow, call Walgreen's, and say we won't be able to deliver.

Now, you saw on the screen here a Walgreen's thermometer that is a BestMed thermometer. Evidence will show, ladies and gentlemen, that it took 10 years after the

Walgreen's fiasco before BestMed could introduce another thermometer into Walgreen's. These buyers at major drug chains have long memories.

MR. CHRISTIE: Sorry, your Honor. I am going to object quickly because the Walgreen's picture was not a Medisim model, it was a BestMed model.

MR. CEPURITIS: I apologize.

THE COURT: All right.

MR. CEPURITIS: So, there is a quiet period now. Several months later Medisim approaches BestMed again: Are you still interested in our forehead thermometer? BestMed liked the product in the beginning, BestMed still likes that product, so they decide they're going to give it one more try but now they want to formalize this somewhat. So, there is this international distributorship agreement that is entered into which spells out the respective duties and obligations of the parties. Contrary to what Medisim's counsel mentioned, that was not a partnership agreement. There was never a partnership between Medisim and BestMed. You will see copies of the international distributorship agreement and you will see that it is a straight forward Medisim sells/BestMed buys for resale. It is a distributorship agreement, it is not a partnership agreement.

But there is another problem that arises while negotiating this agreement -- Medisim needs money for tooling

to make these products that they are now committed to supply. Medisim asks BestMed to buy the tooling for them. As I said, BestMed still likes the product so BestMed puts up $53,500 so that Medisim can buy the tooling to make the product. On top of that, BestMed is investing its time and effort to put together sales presentations to develop packaging, to develop graphics that go with a package. Mr. Edmonds is an expert of long standing in writing instruction manuals. Mr. Edmonds puts in his time in preparing the instruction manual that you heard about supposedly -- or I will say not supposedly, we know they have claimed the copyright on that manual but you will, ladies and gentlemen, you will be asked to decide who the author is of that copyrighted material. I submit that the evidence will show that it is Mr. Edmonds, not anyone at Medisim.

Now, the international distributorship agreement is in effect. Finally products are arriving but we already are experiencing delivery problems. You would think that the parties would have learned: Partial shipments, mismarked cartons, delayed shipments, incomplete packages, quality problems. Mr. Cohen has to field customer complaints. There are returns of faulty merchandise. BestMed is trying to do whatever they can to keep this deal going because the product is good if it's manufactured right. And there is a market for it. BestMed is doing its darnedest to make this deal work but is frustrated by what is happening across the ocean.

So, BestMed is concerned, as I mentioned to you before, and reputation is extremely important in these situations. BestMed continues to be concerned about its reputation so they're looking for a backup. Yes, they have had a long-standing relationship with K-Jump as a thermometer manufacturer who BestMed knows is turning out high quality product; they're also very innovative, they hold their own patents, they've been around for a long time. So, BestMed inquires whether there is a possibility that K-Jump could come to assistance. Well, K-Jump is interested but the agreement is what it is and BestMed is trying to and does live up to its commitments on the international distributorship agreement. The agreement expires, K-Jump is not yet ready with a thermometer that BestMed could market, so BestMed continues to buy Medisim's product on a purchase order basis, in other words I place an order, you ship with no commitments as to future. Well, this goes on for a while.

So, some time goes on, there is disagreement with the international distributorship agreement that was renewed. The parties intend to renew it and Medisim and BestMed say, look, we're all businessmen. Let's let bygones be bygones, let's enter into the new agreement, clarify the situation and if something did go wrong in the past actually the purchase and sale agreement has a special provision where in simple terms the past is forgiven. There is a special paragraph 12 in that

agreement.

Well, this purchase and sale agreement is interesting. If I could have the slide? As we are looking for the slide I will start telling you about it; it has a provision where both parties agree that each can sell competitive product. Now, this agreement was entered into, paragraph 9, from May 1, 2008 onward. Each party may, directly and through its distributors, promote and sell products that compete with the product to current customers. And there is a proviso that you can't deliver until after May 1, 2009, this is when this agreement expires. And the paragraph 10: From and after the execution of this agreement by both parties, both parties, directly and through their agents and distributors, may freely offer and sell products that compete with the product to customers that are not current customers.

It was during this period when BestMed started receiving K-Jump's thermometer that worked differently and started selling that as well; all this with Medisim's permission.

During that time period and thereafter the market was available to both. The difference was that Medisim no longer had the benefit of BestMed's marketing expertise and customer contacts and BestMed's reputation.

Now I would like to talk a little bit about the patent aspects of this case.

Medisim's infringement charge is directed to BestMed's thermometer, the same thermometer that it has been selling during the purchase and sale agreement since 2008. Selling it with Medisim's permission.

BestMed's expert, Mr. Goldberg, will explain to you the differences in technology that are involved in these two thermometers; Medisim's purportedly new thermometer and the thermometer that BestMed has been selling since 2008.

Mr. Goldberg has a lot of experience in the digital thermometry art. He will tell you about his qualifications. He is even an inventor, he invented one of the commercially successful ear thermometers. So, he is well qualified, he understands the technology and will explain in great detail to you how each of these thermometers work and what the differences are. He will explain to you that the BestMed thermometer does not calculate that the temperature of blood in the pulmonary artery as it is called for in the patent. By the way, I take exception to counsel's characterization that the human body is equivalent to a pot roast. I think that is going a little bit far. But, be that as it may.

Mr. Goldberg will explain to you how the patented thermometer does its calculation of what they call the core body temperature. Now, Judge Scheindlin has addressed this issue -- this is a proceeding that precedes the trial -- where she interpreted what does the term core body temperature mean.

According to Judge Scheindlin's ruling it means the temperature of blood in the pulmonary artery.

So, it is clear that the '668 patent has to calculate the temperature of blood in the pulmonary artery. The evidence will show, also, that the '668 patent never should have been granted by the patent office.

You heard about the FHT thermometer that BestMed was selling under its own designation DTT. That, by the way, was BestMed's designation for the DTT but the inside is the same as the FHT-1.

Now, Medisim applied for its patent, the '668 patent, on May 31, 2006 but Medisim never told the patent office that the FHT-1 thermometer that BestMed has been selling on behalf of Medisim since early 2005 was prior art. What I'm talking about is the FHT thermometer -- and I will put it on the ELMO here -- this, ladies and gentlemen, was prior art that the patent office was not told about. Yet, the patent, the '668 patent itself shows a picture that is strikingly similar. Now, it would seem that Medisim should have realized that perhaps the patent examiner should have been told about this one. The evidence will show that they did not.

Now, you saw the video and the sort of overview as to what is required for a valid patent. It is clearly the patent cannot take back from the public domain something that is already there. That's the prior art. If it is the prior art

the patent claims may not cover that. Well, we submit that in this case the claims, as Medisim is interpreting them, fully cover this thermometer as well.

The patent law also requires, as you heard, that the specification should provide some contribution that's new to the technology, enhance the field, enhance the information in the field.

Now, we saw slides that counsel projected on the screen and when you look at those slides and consider them carefully what did we hear? We heard that prediction is all in the art. This prior art device also uses heat flux technology, the R.A.T.E. technology for operation, so what is the difference between this prior art and the purported new invention? Well, you saw it on the slides, it is the correction.

Ladies and gentlemen, Medisim has progressed considerably over the last 20, 30 years and people in the medical profession at least realize that there is, indeed, a difference between oral temperature and pulmonary artery temperature and it is not a question of treating the body like a pot roast. Surgeons are extremely interested what the pulmonary artery blood temperature is, especially in cardiac patients. It is very important to monitor that to the tenth of a degree if not closer.

So, it is known, I submit, and the evidence will show,

that these temperature differences between pulmonary blood artery temperature -- it is a tongue twister -- and oral temperature, rectal temperature, actual temperature is known. So, what is the correction? Let's go to a handbook and look it up. It is very easy to program that. Yet that is supposedly the enhanced contribution to technology that is provided by the '668 patent.

Members of the jury, the evidence in this case will establish that Medisim failed to take advantage of the marketing opportunities that BestMed developed for them using its own marketing efforts, knowledge, expertise. In short, Medisim utilized BestMed's blood, sweat and tears to get foothold in a marketplace but due to their own deficiencies or inabilities they couldn't and didn't take advantage of it. BestMed could do hand-holding for only so long. They wanted to stay in this business and they had no choice but to look for a more reliable supplier. The evidence will also show that BestMed's temporal thermometer is based on technology that Medisim knew was different from Medisim's technology. Nevertheless, here we are. Despite this knowledge we have this lawsuit today.

This is a straight forward case, ladies and gentlemen. The evidence will show that BestMed has not competed unfairly with Medisim and has not been unjustly enriched. They earned what they made. The temporal thermometers sold by BestMed do

not violate Medisim's patent. Mr. Goldberg, BestMed's expert, will explain that to you in great detail and, furthermore, Medisim's new patent, the '668 patent, seeks to cover much, much more than the technology that it contributed.

Thank you very much.

THE COURT: Thank you, Mr. Cepuritis.

MR. CEPURITIS: Thank you, your Honor.

THE COURT: We do have time for our first witness and we want to use all of our time because I promised you we would finish a week from Friday. So, with that, we will start with our first witness.

MR. CHRISTIE: Can I move the podium?

THE COURT: Yes, while someone else gets the witness.

MR. CHRISTIE: Yes, Judge; Mr. Yarden.

THE COURT: Just don't cut the cord because if we cut it the government can't afford a new one.

MR. CHRISTIE: Okay, Judge. I will be very careful then.

MOSHE YARDEN,

called as a witness by the Plaintiff,

having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTIE:

Q. Mr. Yarden, where are you currently employed?

A. Medisim Ltd.

Q. What is your position at that company?
A. I am the CEO and the R&D manager of the company.
Q. Who were the founders of Medisim LTD?
A. We were three; Mr. Ilan Vadai, Dr. Sorin Teich and myself; I-L-A-N V-A-D-A-I and the other one is Sorin, S-O-R-I-N, and his last name is Teich, which is T-E-I-C-H.
Q. I just remind you, Mr. Yarden, to keep your voice up so that we can hear you please?
A. Okay.
Q. So, this company Medisim that you were one of the founders of, how did this company get started?
A. I met Dr. Sorin Teich and he told me about an infrared thermometer measuring in the ear, it was a tympanic thermometer done by Thermoscan and he said that it was a very interesting, revolutionary thermometer in the market at that time and he asked me if we could do something that will be able to compete such a product.
Q. What was your reaction to that suggestion?
A. Well, I asked him to give me a couple of days to think about it and to read some material concerning the infrared technology.
Q. And after you completed your efforts, what did you decide to do with regard to that suggestion?
A. I realized that the infrared, although it is very fast and much easier to use than those days' other alternatives like the

stick thermometers, the infrared suffers of several shortcomes like the sensitivity to the ambient temperature and there is a fuse.

Q. What is the ambient temperature, Mr. Yarden?

A. It is the room temperature where you use the thermometer.

So, at that time I said we better, if we want to have a product to be able to compete then we must have it fast as the infrared but I then recommend to try take the conductive approach rather than the infrared.

Q. So, Mr. Yarden, did you study thermometry in school?

A. Well, there is no school for thermometry but in my background as an aeronautical engineer I worked for the Israeli Defense Industry and part of it was dealing with heat transfer.

Q. How does that knowledge of heat transfer that you learned as an aeronautical engineer transfer to making thermometers?

A. Well, every thermometer deals with heat which is transferred from the body to the sensor whatever sensor you use, so this background helped me a lot in dealing with thermometry, plus also the fact that you need to have a very strong background in physics and math also could help you in development of new technologies for thermometry measurement.

Q. Mr. Yarden, you mentioned infrared technology; let me turn your attention to a slide that you have prepared. Using that slide could you please explain to the jury your understanding of infrared technology?

A. Well, the sensor is like a camera having one pixel, naming one point to capture information, so this is basically an optical sensor and it could read only what it looks. So, if the sensor is directed now to an object so the infrared heat radiated from that object will flow into that sensor and that sensor will get a signal which is representing what it sees.

Basically infrared is just light as any other light but the only difference is that it is in a range where our eye can see it.

So, this is actually a light which is representing the heat emitted from an object but that wavelength of the light is in the infrared range where we can't see it in our eyes however the sensor can sense it.

So, that's basically an infrared. So, what we can see here on the slide is that the infrared sees the skin temperature because that's the only thing that has a direct line of sight to it.

Q. Mr. Yarden, you mentioned something called conduction technology, correct?

A. Correct.

Q. Is that a form of infrared temperature measurement technology?

A. No. Conduction is different than infrared and in conduction we are talking about a direct mechanical contact between the sensor and the object to be measured. Also, there

is another difference that compared to the infrared that there is actually no, other than the heat transfer from the object to the sensor, with conduction there is an actually mutual heat transfer or actually mutual effect between the sensor and the body that it is measuring. So, the way that we can see it here is that the sensor is now being attached to the skin. However, since the sensor is cold and the heat in the deeper tissues beneath the skin are hotter, heat will flow from the hot spot or the hot area towards the cold sensor.

So, that's the dynamic that controls the heat transfer of the conduction while with the infrared you can stay with your sensor on the skin for hours, okay, there will be no cross-effect between the sensor and the skin just as a camera. I can take as much as I can photos of yourself without changing your shape. Right? But if I will touch you that much maybe I will spoil your look after so many times, okay?

So, that's the difference.

Q. Okay.

So, in creating thermometer products through Medisim what measurement technology did you begin exploring early on in the formation of the company?

MR. CEPURITIS: Objection, your Honor. Assumes facts not in evidence.

THE COURT: What does that mean? The evidence is coming in. He said what measurement technology did you begin

exploring early on in the formation of company. I don't see what is wrong with that.

MR. CEPURITIS: It hasn't been established that there is Medisim technology.

THE COURT: Well, ask that then. It seems to me he can certainly lay that foundation.

MR. CHRISTIE: I'm sorry, Judge. I will certainly do that.

BY MR. CHRISTIE:

Q. Mr. Yarden, what types of products does Medisim manufacture, if any?

A. We are manufacturing thermometers that they might be invasive and non-invasive thermometers.

Q. How long has Medisim been manufacturing thermometers for?

A. I think that our first product was launched somewhere in 1999.

Q. So, getting back to my original question, Mr. Yarden, when the company was formed what temperature measurement technology were you focusing on for your company's thermometers?

A. Okay. At that time the idea was, as I said, let's make a fast -- a really fast thermometer but then utilizing conductive principle rather than radiation. But the idea was that we will not try to go for other locations than the traditional like oral, underarm or rectal, but just give the fastest measurement as we can in those locations. And that's what we did. We

developed an invasive but yet fast conductive thermometer that was able to read somewhere like four seconds -- somewhere like four to six seconds, the body temperature.

Q. So, again, this was an invasive thermometer?

A. Correct.

Q. You would have to put it in a body cavity like the mouth, rectum or underarm?

A. Correct.

Q. What models fall into that category of product that Medisim manufactured?

A. The first one was the Penguin followed by the Cello and later we had a series called M5T and M3T.

Q. So, Mr. Yarden, take a step backward. Did you invent conduction temperature measurement technology?

A. Correct.

Q. In what fashion?

A. Well, Medisim actually was the first to introduce a heat flux method to provide a fast conductive measurement.

Q. So are you contending that you invented the whole concept of the conduction or just a small part of conduction technology?

A. Well, conduction is a principle of heat transfer. We never claimed that we invented the principle -- a physical principle. But, we did invent a method and devices that were utilizing heat flux as a method for getting fast reading in invasive

locations like oral, underarm and rectum.

Q. Mr. Yarden, in creating your thermometer products did you use prediction measurement technology at all?

A. No. We -- our home technology, if I may say, our base technology was the heat flux technology. That's what we were doing.

Q. Even so, are you familiar with the prediction temperature measurement technology?

A. Oh yeah. I mean, prediction is very well known and common in the industry. There are dozens of patents and products utilizing prediction. Prediction is well known since I think early '80s. The only thing that was changing with prediction was the measurement time like '80s or '90s thermometers would predict the body temperature within something like 60, 45 seconds. Nowadays there are thermometers that will predict the body temperature within less than 10 seconds. But the principle is the same; something for a short period of time using that information in order to get the final equilibrium steady state temperature.

Q. So, Mr. Yarden, referring you to this screen, please explain, as these slides are progressing, your general understanding of prediction temperature measurement technology.

A. Okay.

We can see that the time is running to the right and the temperature is rising in the sensor. At some point of time

there is enough information by the thermometer collected by the thermometer where exactly the black line is crossing the temperature rising curve, that's the point basically the thermometer is able to give a reasonable or an acceptable reading of the equilibrium temperature so that's the way it works.

So, the broken line is actually not an actual measured temperature, it is just trying to emphasize the fact that this would have been the temperature sensed by the sensor should it stay on the place long enough time. However, this is just done or accomplished by computation rather than by actual sensor.

Q. So, Mr. Yarden, what were your first efforts in using conduction technology for your thermometer products?

A. I'm sorry. Can you repeat that question?

Q. Sure.

What were your first efforts in using conduction temperature measurement technology in your company's thermometer products?

A. Well, as I said, we were dealing -- we used that technology for invasive products.

Q. Did you ever attempt to use that technology for a non-invasive thermometer?

A. Yes. It was later on. I mean, we started thinking of it early 2002 or mid-2002, something like that.

Q. I believe you also mentioned in your testimony, Mr. Yarden,

about something called heat flux, is that correct?
A. Correct.
Q. What is heat flux again?
A. Well, heat is amount of energy. Heat flux will be amount of energy that passing across a given area for a given period of time so this is exactly what we see in the slide. I mean, we are having a given area through that slab through which heat is flowing and if we will have it through a period of time that will be the heat flux.

Now, heat flux could be measured by using two spots away each other along the line through which the heat is flowing, and actually the difference between these two spots will be a good representation of the heat flux at that point.
Q. So, did Medisim invent the heat flux technology?
A. No. As I said before, heat flux is, again, is a given principle and it is well known in the industry; however, I believe that Medisim was the first to use the heat flux method in the real-time and in the fast measurement because until that time they were using the heat flux as a, I would say, equilibrium or steady state thermometers where you put your heat flux sensor long enough on the measurement spot until the heat flux become stable or zero, it depends, and by that you are getting very accurate temperature of the medium that you are measuring. However, Medisim was the first to introduce the heat flux as a real-time in a fast measurement thermometer; I'm

talking about seconds versus minutes. Okay?

Q. So, Mr. Yarden, did Medisim obtain any patent protection for its innovations in using heat flux technology in thermometers?

A. That's correct.

Q. What did Medisim do in that regard?

A. Well, as I said, we applied the patent and we got the '397 patent.

Q. We are not talking about the '668 patent now, correct?

A. Correct.

Q. We are talking about the patent whose last digits are '397?

A. Correct.

Q. About when did you obtain the '397 patent, Mr. Yarden?

A. As far as I remember it was late '90s, something like 1997.

Q. So, how does the invention in the '397 patent work?

A. Well, the idea was that in contradiction to the prediction where you're staying at one spot seeing, observing the temperature rising up and then asking what will be the temperature within, say, 10 minutes, the heat flux basically is you apply your heat flux sensor and you ask what's the amount of heat per unit time per area that is coming into my sensor, and then making this energy balance you are deriving the temperature and at that time dealing with the invasive, actually, we could derive the body temperature -- the core body temperature.

Q. Did Medisim have a commercial name for its heat flux technology used in its thermometers?
A. Yes. We call it R.A.T.E., which is Rapid Accurate Temperature Establishment.
Q. Mr. Yarden, I'm going to show you what is marked as Plaintiff's Exhibit 11; do you recognize that document, sir?
A. Yes.
Q. What do you recognize it to be?
A. Well, this is an executive summary describing the business of the company.
Q. Can you tell approximately when it was written?
A. I think somewhere about early 2000s like 2001, 2002.
Q. What makes you come to that conclusion, Mr. Yarden?
A. For some reason I see here something which is -- okay. Now it is better.
Q. Perhaps if we look down at the bottom of the first page of that exhibit?
A. Yes. Can we go down?

Okay. So, here it says: By year 2002, based on professional recognition -- so, as we are talking here on 2002 as the future, I assume that it was before 2002.

Q. So does this document, Plaintiff's Exhibit 11, describe Medisim's R.A.T.E. technology?
A. Well, it describes Medisim business including the R.A.T.E. technology as we had at that time.

Q. Does it describe the R.A.T.E. technology for invasive purposes or for non-invasive purposes?
A. Well, at that time the only technology that we had was invasive so you could see that even we are talking about the M5T in future terms which was an invasive -- our last invasive model.
Q. So, if we look further up that first page of that exhibit, Mr. Yarden, or the center of the page, do you see a reference to any particular Medisim products?
A. Yes. I see the Penguin, the Cello and the Up Grade Pro.
Q. I believe you mentioned that those products used temperature measured invasively, correct, in your prior testimony?
A. Correct.
Q. Did you make commercial sales of the Penguin and Cello models, Mr. Yarden?
A. Yes, we did.
Q. Were they commercially successful?
A. I think so.
Q. Even though they were successful were there any downsides to the product?
A. Yes. End of the day, even if they were fast and we were aiming to compete with infrared, because of the fact that they were conductive they were compared to other conductive thermometers that were much cheaper in price so we had

difficulties in competing in the marketplace. And then it says below in this document that we were thinking of the M5T at later stage that was trying to cut down the cost of the product and trying to compete with the stick thermometers. However, what has happened with that is that now that we came up with this conductive four to six seconds, everybody was saying that we are also 10 seconds so it was very hard for us to communicate that to the public, that when we say four to six seconds we really mean that. But we were a little high with the price because of our cost for the chip which requires more computation power than the usual.

That was it around that time.

Q. So, in light of the downsides of the Penguin and the Cello brands, did you engage in any further innovation in the technology you used for your thermometers?

A. Yes, we did.

Q. And what did you do?

A. We were thinking of utilizing the advantage that we gained a lot of experience with the R.A.T.E. technology -- with the heat flux principle. We tried to utilize it in a field where customers are willing to pay more -- I mean premium thermometers. And when we analyzed the market situation we saw that a forehead thermometer, which is based on heat flux, could be a good idea where we can utilize our know-how and technology.

Q. And did you in fact pursue a forehead thermometer based upon the heat flux technology?
A. That's correct.
Q. And what model was that?
A. That was the FHT-1.
Q. Showing you what's on the screen, Mr. Yarden; do you recognize that picture?
A. Yes.
Q. What is that?
A. What we see here is the FHT-1 model but it was named by our distributors -- BestMed -- as the DTT. So this was a given name by them. I would say that the last name was FHT-1 but the given name was DTT, or the first name.
Q. How did the FHT-1 thermometer work, generally?
A. The FHT-1 model was basically utilizing the heat flux technology in order to measure the core body temperature, so what we did was we had a kind of reference line which represent the lower end of the measurement range and we were using the output of the heat flux algorithm to calculate the difference between that fixed baseline to the core body temperature that was represented by the oral temperature.
Q. So, does the FHT-1 device practice the invention of the '397 patent or not?
A. Yes. It did.
Q. Well, how can it do that if it is a non-invasive

measurement device as opposed to an invasive measurement device?

A. Well, because it has a probe that you could use it also underarm and, indeed, we had a model which is working the same manner as the FHT-1, we call it the FHT-2, that was measuring underarm and forehead as well. So, at that time that's what we have.

Q. So, did you make commercial production models of the FHT-1 thermometer?

A. Oh yeah.

Q. And did you sell them?

A. Yes.

Q. And were they commercially successful?

A. I believe so.

Q. When did you first start producing and selling FHT-1 thermometers, approximately?

A. It was June 2005, and I think that the first shipment that we shipped to our distributors in the states, BestMed, was July 2005.

Q. So, Mr. Yarden, at that time what was the wholesale price of an FHT-1 thermometer about?

A. $30.

Q. That's the wholesale price?

A. I'm sorry, the retail sale price. The wholesale price was around $8, $8.50.

Q. And what about the retail price, what was the retail price for those thermometers at that time?
A. That was $30.
Q. Finally, about how much per unit did it cause Medisim to make the FHT-1 thermometer at about that time?
A. Around half of the wholesale price.
Q. So $3.50 to $4?
A. Correct.
Q. In 2005 did you sell the FHT-1 model to or through any company other than BestMed?
A. I don't think so.
Q. When you produced FHT-1 thermometers did you have any other distributor other than BestMed in 2005?
A. I think that we had also a contract with Dorel but that was around the FHT-2 model.
Q. Okay, I'm specifically talking about the FHT-1 model. Let's focus first on the FHT-1 model.

When Medisim was selling the FHT-1 model in 2005 was it through any company other than BestMed?
A. Not that I remember at the moment.
Q. You also mentioned the FHT-2 model, correct?
A. Correct.
Q. Is that a production model of thermometer that Medisim manufactured and sold?
A. Correct.

Q. Generally, what is a distinction between the FHT-1 model and the FHT-2 model?
A. The FHT-2 model was also including an underarm model where you could switch into it by using the special button so the thermometer would provide you with forehead and underarm measurement ability.
Q. So, does the FHT thermometer practice the invention of a '397 patent?
A. That's correct.
Q. And did you sell FHT-2 model thermometers?
A. Correct.
Q. And who did you sell those to, Mr. Yarden?
A. It was through Dorel Juvenile Group.
Q. And under what brand name were those FHT-2 models sold?
A. Safety First.
Q. So, Mr. Yarden, were the wholesale retail and production costs for the FHT-2 similar to those for the FHT-1, or were they different?
A. They were a little higher because it was a more fancy product.
Q. At that time in 2005 how did your FHT-1 product and your FHT-2 product compare at the retail price level to infrared thermometers?
A. Well, I think that we did a very nice thing to the market because at that time the only product that could be sold in the

states was protected heavily by Exergen and they were selling their forehead thermometer for like $60, and the other well known infrared was done by Braun, ear, and it was also something like $45 to $50, and we brought up a cheaper technology which could be used for measurement -- forehead measurement for half of the price.

Q. So, Mr. Yarden, when you mentioned Exergen, what is Exergen?

A. The product that you hold in your hand.

Q. Is Exergen a product or is it a company?

A. Exergen -- okay. I'm sorry about it. I'm sorry.

Exergen is a company.

Q. Okay.

A. But their product in our industry is called the Exergen, that's why. Exergen is a company, it is an American company. They are dealing mainly with infrared and the product that you hold in your hand is their product and this is a forehead infrared thermometer.

MR. CHRISTIE: Your Honor, may I approach?

THE COURT: Do you have an exhibit number?

MR. CHRISTIE: Just for demonstrative purposes.

THE COURT: I would still like to have a number for the record.

MR. CHRISTIE: Plaintiff's Exhibit XXX.

THE COURT: Okay.

BY MR. CHRISTIE:

Q. Mr. Yarden, let me show you Plaintiff's Exhibit XXX.

A. Okay.

Q. You mentioned that you recognize that, correct?

A. Correct.

Q. What do you recognize it to be?

A. This is an infrared forehead thermometer by Exergen.

Q. Do you know how it works?

A. Yes.

Q. Can you demonstrate for the jury?

A. Sure.

You switch the device on -- no batteries, but basically you switch it on and then have you to move it across your forehead, and while you move it across your forehead it will scan the temperature of the skin and it will take the highest temperature and will correlate it to the core.

THE COURT: Does it touch the skin? Do you touch the skin?

THE WITNESS: Well, the probe is touch the skin but the sensor, if you can see, it is a little bit beneath that surface.

THE COURT: I see.

THE WITNESS: So, the sensor itself does not touch the skin.

THE COURT: I see.

BY MR. CHRISTIE:

Q. So, Mr. Yarden, I'm going to show you what I'm going to mark Plaintiff's Exhibit YYY. Do you recognize that, sir?

A. Well, this is a CVS thermometer as it is written here but it looks like an infrared ear thermometer.

THE COURT: What?

THE WITNESS: Ear.

Q. How does infrared technology work to take temperature measurement in the ear, if you know?

A. Yes, I do.

Basically you switch the device on and then you put the thermometer probe into the ear canal and the sensor looks towards the tympanic membrane and capture its temperature. Now, that temperature is being translated by the thermometer into the body temperature which is displayed on the display.

THE COURT: Okay. It is 4:30, so we are going to stop for today.

Ladies and gentlemen, please don't discuss the case with each other or with anyone else. Please leave your notes in the jury room. Tomorrow please be sure to get here at a quarter to 10:00. The reason I say quarter to 10:00 is inevitably, having done this for so many years, one of you will be later than the others, somebody will not be here by 10:00 and won't be finished by next Friday. So, a quarter to 10:00, that way we can make sure everybody will be here and we can get

a start.

(Continued on next page)

(Jury not present)

THE COURT: All right. Thank you, Mr. Yarden. Be back tomorrow, obviously at 10:00.

THE WITNESS: Quarter to.

MR. KUO: Your Honor, is Mr. Yarden sequestered?

THE COURT: No. What does that mean?

MR. KUO: Is he able to talk back and forth with his lawyers?

THE COURT: We discussed that, he is still on direct.

MR. KUO: Just clarifying.

THE COURT: It doesn't kick in until cross.

MR. KUO: Okay.

THE COURT: We went over that.

Any other questions or are we ready for tomorrow? We are ready?

MR. CHRISTIE: Yes. I think we are ready, Judge.

THE COURT: Can you try to clear as fast as possible? I have a criminal case right now. I know that is going to be hard each day to move the stuff down.

(Adjourned to 9:45 a.m., Wednesday, January 30, 2013.)

INDEX OF EXAMINATION